

**BALANCE SHEETS**

Amended

5/4/06

AS OF DECEMBER 31, 2005 AND 2004

AMENDED

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 23,206	\$ 20,106
2	Marketable securities (Short Tm. money market at cost).....	2,125	11,853
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, \$1,334; 2004, \$1,447)..... Note 3.....	9,644	5,531
4	Inventories..... Note 4.....	2,467	2,332
5	Prepaid Expenses and Other Current Assets..... Note 5.....	2,749	9,331
6	Total Current Assets.....	40,191	49,153
7	Investments, Advances, and Receivables..... Note 6.....	11,649	11,085
8	Property and Equipment - Gross.....	309,957	292,402
9	Less: Accumulated Depreciation and Amortization.....	(53,261)	(36,159)
10	Property & Equipment - Net..... Note 7.....	256,696	256,243
11	Other Assets.....	6,567	6,630
12	Total Assets.....	\$ 315,103	\$ 323,111
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 8,010	\$ 10,957
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	5,617	5,525
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses..... Note 8.....	20,301	15,305
19	Other Current Liabilities..... Note 9.....	15,164	8,649
20	Total Current Liabilities.....	49,092	40,436
	Long-Term Debt:		
21	Due to Affiliates..... Note 10.....	177,669	177,103
22	Other..... Note 10.....	16,555	16,848
23	Deferred Credits.....	-	6,583
24	Other Liabilities.....	-	-
25	Commitments and Contingencies..... Note 14.....	-	-
26	Total Liabilities.....	243,316	240,970
27	Stockholders, Partners', or Proprietor's Equity.....	71,787	82,141
28	Total Liabilities and Stockholders' Equity.....	\$ 315,103	\$ 323,111

# STATEMENTS OF INCOME

8/3/06

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

AMENDED

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	<b>Revenue:</b>		
1	Casino.....	\$ 268,074	\$ 247,842
2	Rooms.....	23,352	18,341
3	Food and Beverage.....	24,282	23,387
4	Other.....	6,021	8,439
5	Total Revenue.....	321,729	298,009
6	Less: Promotional Allowances.....	75,372	68,643
7	Net Revenue.....	246,357	229,366
	<b>Costs and Expenses:</b>		
8	Cost of Goods and Services.....	171,940	157,544
9	Selling, General, and Administrative.....	42,521	44,180
10	Provision for Doubtful Accounts.....	508	138
11	Total Costs and Expenses.....	214,969	201,862
12	<b>Gross Operating Profit.....</b>	<b>31,388</b>	<b>27,504</b>
13	Depreciation and Amortization.....	20,934	16,681
14	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	<b>Income (Loss) from Operations.....</b>	<b>10,454</b>	<b>10,823</b>
	<b>Other Income (Expenses):</b>		
17	Interest (Expense) - Affiliates.....Note 11.....	(21,266)	(17,145)
18	Interest (Expense) - External.....	(1,437)	(696)
19	Investment Alternative Tax and Related Expense, Net of Amortization of \$0 and \$0 Respectively.....	(963)	(1,510)
20	Nonoperating Income (Expense) - net.....	691	1,726
21	Total Other Income (Expenses).....	(22,975)	(17,625)
22	<b>Income (Loss) Before Income Taxes and Extraordinary Items.....</b>	<b>(12,521)</b>	<b>(6,802)</b>
23	Provision (Credit) for Income Taxes.....Note 13.....	(2,167)	(1,912)
24	<b>Income (Loss) Before Extraordinary Items.....</b>	<b>(10,354)</b>	<b>(4,890)</b>
25	Extraordinary Items (net of income tax benefit).....	-	-
26	<b>Net Income (Loss).....</b>	<b>\$ (10,354)</b>	<b>\$ (4,890)</b>

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

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TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC.

# STATEMENTS OF INCOME

Amended

8/3/06

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	<b>Revenue:</b>		
1	Casino.....	\$ 63,753	\$ 54,778
2	Rooms.....	5,873	4,890
3	Food and Beverage.....	6,107	4,639
4	Other.....	1,366	1,591
5	Total Revenue.....	77,099	65,898
6	Less: Promotional Allowances.....	19,120	15,482
7	Net Revenue.....	57,979	50,416
	<b>Costs and Expenses:</b>		
8	Cost of Goods and Services.....	44,970	37,025
9	Selling, General, and Administrative.....	12,928	10,755
10	Provision for Doubtful Accounts.....	150	80
11	Total Costs and Expenses.....	58,048	47,860
12	Gross Operating (Loss) Profit.....	(69)	2,556
13	Depreciation and Amortization.....	4,945	4,505
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) from Operations.....	(5,014)	(1,949)
	<b>Other Income (Expenses):</b>		
17	Interest (Expense) - Affiliates.....	(5,325)	(5,308)
18	Interest (Expense) - External.....	(313)	(254)
19	Investment Alternative Tax and Related Expense, Net of Amortization of \$0 and \$0 Respectively.....	(266)	(117)
20	Nonoperating Income (Expense) - net.....	210	177
21	Total Other Income (Expenses).....	(5,694)	(5,502)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(10,708)	(7,451)
23	Provision (Credit) for Income Taxes.....	(2,581)	(3,401)
24	Income (Loss) Before Extraordinary Items.....	(8,127)	(4,050)
25	Extraordinary Items (net of income tax benefit).....	-	-
26	Net Income (Loss).....	\$ (8,127)	\$ (4,050)

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

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TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2005

AMENDED

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2003.....	100	\$ -			\$ 77,673		\$ 9,358	\$ 87,031
2	Net Income (Loss) - 2004.....							(4,890)	(4,890)
3	Contribution to Paid-in-Capital.....								-
4	Dividends.....								
5	Prior Period Adjustments.....								
6	Sale of Hedging Instrument.....								-
7	Changes in value of stock options granted to employees and					-			-
8	_____								
9	_____								
10	Balance, December 31, 2004.....	100	-			77,673		4,468	82,141
11	Net Income (Loss) - 2005.....							(10,354)	(10,354)
12	Contribution to Paid-in -Capital.....								-
13	Dividends.....								-
14	Changes in value of stock options granted to employees and								-
15	_____								-
16	_____								-
17	_____								-
18	_____								-
19	Balance, December 31, 2005.....	100	\$ -		\$	\$ 77,673	\$	\$ (5,886)	\$ 71,787

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

Amended

8/3/06

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

AMENDED

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	<b>Net Cash Provided (Used) by Operating Activities.....</b>	\$ 9,865	\$ 19,586
	<b>Cash Flows From Investing Activities:</b>		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(11,966)	(79,865)
5	Proceeds from Disposition of Property and Equipment.....	28	1,672
6	Purchase of Casino Reinvestment Obligations.....	(3,292)	(3,051)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10	CRDA Reimbursement.....	63	756
11	Purchase of cash and cash equivalents - restricted, net of release.....	398	-
12	<b>Net Cash Provided (Used) By Investing Activities.....</b>	(14,769)	(80,488)
	<b>Cash Flows From Financing Activities:</b>		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	(1,606)	(2,892)
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	17,137
16	Costs of Issuing Debt.....	(118)	(159)
17	Payments to Settle Long-Term Debt.....	-	-
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21	Other Financing Activities.....	-	-
22	Advances from (Repayment to) Parent Company and Affiliates.....	-	-
23	<b>Net Cash Provided (Used) By Financing Activities.....</b>	(1,724)	14,086
24	<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	(6,628)	(46,816)
25	<b>Cash and Cash Equivalents at Beginning of Period.....</b>	31,959	78,775
26	<b>Cash and Cash Equivalents at End of Period.....</b>	\$ 25,331	\$ 31,959

	<b>Cash Paid During Period For:</b>		
27	Interest (Net of Amount Capitalized).....	\$ 21,814	\$ 17,335
28	Income Taxes (Net of amounts refunded).....	\$ (391)	\$ (519)

# STATEMENTS OF CASH FLOWS

Amended

8/3/06

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

AMENDED

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net Income.....	\$ (10,354)	\$ (4,890)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	18,055	13,362
31	Amortization of Other Assets.....	2,879	3,319
32	Amortization of Debt Discount or Premium.....	566	504
33	Deferred Income Taxes - Current.....	-	(510)
34	Deferred Income Taxes - Noncurrent.....	(3,669)	992
35	(Gain) Loss on Disposition of Property and Equipment.....	(28)	(1,203)
36	(Gain) Loss on Casino Reinvestment Obligations.....	963	1,510
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks .....	(1,077)	(356)
39	Net (Increase) Decrease in Inventories.....	(135)	(829)
40	Net Decrease (Increase) in Other Current Assets.....	(77)	(1,761)
41	Net Decrease (Increase) in Other Assets.....	1,002	585
42	Net Increase (Decrease) in Accounts Payable.....	(2,947)	7,567
	Net (Decrease) Increase in Other Current Liabilities		
43	Excluding Debt.....	4,687	1,296
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	-	-
45	Loss on extinguishment of debt.....	-	-
46			
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 9,865</b>	<b>\$ 19,586</b>

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>Acquisition of Property and Equipment:</b>		
48	Additions to Property and Equipment.....	\$ (11,966)	\$ (79,865)
49	Less: Capital Lease Obligations incurred.....	-	-
50	<b>Cash Outflows for Property and Equipment.....</b>	<b>\$ (11,966)</b>	<b>\$ (79,865)</b>
	<b>Acquisition of Business Entities:</b>		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	<b>Cash Outflows to Acquire Business Entities.....</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Stock Issued or Capital Contributions:</b>		
57	Total Issuances of Stock or Capital Contributions.....	\$ -	\$ -
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	<b>Cash Proceeds from Issuing Stock or Capital Contributions.....</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

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TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC.

# **SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

AMENDED

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (in thousands) (d)	Number of Recipients (e)	Dollar Amount (in thousands) (f)
1	Rooms	200,090	\$ 16,841	265	\$ 41
2	Food	1,212,795	11,909	123,410	1,400
3	Beverage	622,040	2,989	-	-
4	Travel	-	-	25,018	1,730
5	Bus Program Cash	453,939	7,712	-	-
6	Other Cash Complimentaries	1,233,908	34,240	-	-
7	Entertainment	39,272	1,494	2,120	301
8	Retail & Non-Cash Gifts	3,737	37	1,778	366
9	Parking	-	-	-	-
10	Other	6,630	150	61,527	1,233
11	Total	3,772,411	\$ 75,372	214,118	\$ 5,071

\* Included in Other Promotional Expenses for the twelve months ended December 31, 2005 are tobacco complimentaries in the amount of \$403. No other single item or service included in other exceeds 5% of the column total.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	46,738	\$ 3,955	142	\$ 22
2	Food	284,324	1,682	27,200	404
3	Beverage	126,166	761	-	-
4	Travel	-	-	5,308	402
5	Bus Program Cash	96,773	2,117	-	-
6	Other Cash Complimentaries	318,469	10,112	-	-
7	Entertainment	12,951	466	794	83
8	Retail & Non-Cash Gifts	-	-	390	85
9	Parking	-	-	-	-
10	Other	1,191	27	17,480	337
11	Total	886,612	\$ 19,120	51,314	\$ 1,333

\* Included in Other Promotional Expenses for the three months ended December 31, 2005 are tobacco complimentaries in the amount of \$129. No other single item or service included in other exceeds 5% of the column total.

Amended

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**3. Receivables**

Components of receivables were as follows at December 31 (in thousands):

	2005	2004
Gaming .....	\$ 6,413	\$ 5,315
Less: allowance for doubtful accounts .....	(1,307)	(1,415)
	5,106	3,900
Non-gaming:		
Hotel and related .....	492	643
Due from affiliates .....	3,037	110
Other .....	1,036	910
	4,565	1,663
Less: allowance for doubtful accounts .....	(27)	(32)
	4,538	1,631
Receivables, net .....	\$ 9,644	\$ 5,531

**4. Inventories**

Components of inventories were as follows at December 31 (in thousands):

	2005	2004
Food and Beverage .....	\$ 773	\$ 724
Gifts .....	592	558
Other, net .....	1,102	1,050
	\$ 2,467	\$ 2,332

**5. Prepaid Expenses and Other Current Assets**

Components of prepaid expenses and other current assets were as follows at December 31 (in thousands):

	2005	2004
Prepaid expenses	\$ 2,716	\$ 3,049
Current portion deferred income taxes .....	--	4,804
Income tax receivable .....	--	1,467
Other .....	33	11
	\$ 2,749	\$ 9,331

**6. Investments, Advances and Receivables****AMENDED**

Components of investments, advances and receivables were as follows at December 31 (in thousands):

	2005	2004
CRDA bonds and direct investments .....	\$ 12,340	\$ 12,468
CRDA deposits .....	8,576	7,202
Valuation allowance .....	(9,267)	(8,585)
	\$ 11,649	\$ 11,085

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charge for the twelve months ended December 31, 2004 for discounts on obligations was \$1.7 million while RIH recorded a credit of \$2.3 million for the same period of 2003.

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**10. Long-Term Debt (continued)**

rate on the facility based on a sliding scale on operating results (as defined). The \$1 million of outstanding principal has been reflected as a current liability at December 31, 2005.

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A. ("Commerce Facility"). The Commerce Facility provides for working capital borrowings and letters of credit up to \$10 million. The Commerce Facility expires on June 30, 2006. There was no outstanding balance on the Commerce Facility at December 31, 2005; however, \$5.1 million of standby letters of credit have been issued against the Commerce Facility, leaving an availability of \$4.9 million as of December 31, 2005. The Commerce Facility contains an interest coverage ratio and a minimum net worth requirement as defined in the Commerce Facility. On March 29, 2006, the CIT Facility was amended which modified the required covenant calculations at December 31, 2005 and on a prospective basis. Absent this amendment, the Company would not have been in compliance with the financial covenants.

During 2004, RREH purchased 2.0 acres of land adjacent to the Resorts site (see Note 14). The land was acquired in exchange for the issuance of a \$40 million note by RREH to KINA. This \$40 million note will mature immediately following the maturity, acceleration or refinancing (other than permitted refinancing) of the First Mortgage Notes which are due March 15, 2009. The KINA Note contains cross-default provisions whereby the acceleration of the scheduled maturity of the First Mortgage Notes constitutes an event of default under the KINA Note.

Interest on the \$40 million note will be payable semi-annually, and will be calculated at the following annual rates: 0% through September 2004, 4% from October 2004 through March 2006, 6% from April 2006 through March 2008, and 9% from April 2008 through March 2009. The note payable to KINA is guaranteed by CRH, RIHC and RIH, provided, however that the guarantee of RIHC and RIH does not become effective until either the First Mortgage Notes have been paid in full or the fixed charge coverage ratio of RIHC is at least 2.0 to 1.0. At December 31, 2005 the fixed charge coverage ratio was 1.0 to 1.0. In addition, the amount guaranteed is initially limited to \$20 million increasing by \$5 million each year.

The aggregate amount of principal payments on all long-term indebtedness, by year is as follows (in thousands):

2006	\$	5,617
2007		5,746
2008		5,669
2009		180,298
2010		310
Thereafter		4,533
Total	\$	<u>202,173</u>

**11. Related Party Transactions****AMENDED**

RIH recorded the following expenses from affiliates for the twelve months ended December 31 (in thousands):

	2005	2004
Interest and amortization of discounts on First Mortgage Notes.....	\$ 21,266	\$ 21,204
Interest expense on hedging instruments .....	--	1
Less: capitalized interest.....	--	(4,060)
	<u>\$ 21,266</u>	<u>\$ 17,145</u>

**12. Retirement Plans**

RIH has a defined contribution plan in which substantially all non-union employees are eligible to participate. Employees of certain other affiliated companies are also eligible to participate in this plan. Contributions are made to the plan based on a percentage of eligible employee contributions. Contribution expense for this plan was \$582,000, \$592,000, and \$609,000 for the years ended December 31, 2005, 2004, and 2003, respectively.

Union employees are covered by various multi-employer pension plans to which contributions are made by RIH and other unrelated employers. RIH's pension expense for these plans was \$2,168,000, \$1,919,000, and \$1,709,000 for the years ended December 31, 2005, 2004, and 2003, respectively.

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## 13. Income Taxes

## AMENDED

Income tax expense (benefit) is comprised of the following for the year ended December 31 (in thousands):

	Year ended December 31,		
	2005	2004	2003
Current:			
Federal	\$ -	\$ (3,681)	\$ (369)
State	1,502	1,288	1,079
	<u>1,502</u>	<u>(2,393)</u>	<u>710</u>
Deferred:			
Federal	(2,516)	2,337	1,017
State	(1,153)	(1,856)	-
	<u>(3,669)</u>	<u>481</u>	<u>1,017</u>
	<u>\$ (2,167)</u>	<u>\$ (1,912)</u>	<u>\$ 1,727</u>

The components of the deferred tax assets and liabilities were as follows at December 31 (in thousands):

	2005	2004
Deferred tax assets (liabilities):		
Basis differences on property and equipment	\$ (10,135)	\$ (12,725)
Other	(1,066)	(1,443)
Total deferred tax liabilities	<u>(11,201)</u>	<u>(14,168)</u>
Deferred tax assets:		
NOL and capital loss carryforwards	12,833	12,671
Book reserves not yet deductible for tax	2,769	3,174
Tax credit carryforwards	1,890	1,225
Other	3,464	2,538
Total deferred tax assets	<u>20,956</u>	<u>19,608</u>
Valuation allowance for deferred tax assets	(7,865)	(7,219)
Deferred tax assets, net of valuation allowance	<u>13,091</u>	<u>12,389</u>
Net deferred tax assets (liabilities)	<u>\$ 1,890</u>	<u>\$ (1,779)</u>

The effective income tax rate varies from the statutory Federal income tax rate as a result of the following factors:

	Year ended December 31,		
	2005	2004	2003
Statutory Federal income tax rate	(34.0%)	(34.0%)	34.0%
Change in Federal income tax rate for deferred taxes	-	(1.2%)	-
Change in valuation allowance	5.9%	-	0.0%
State taxes, net of Federal benefit	1.9%	(5.5%)	151.3%
Non-deductible provisions and expenses	8.3%	12.4%	181.7%
Effective tax rate	<u>(17.9%)</u>	<u>(28.3%)</u>	<u>367.0%</u>

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state's fiscal years 2004 through 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually. For the years ended December 31, 2005, 2004 and 2003, the Company recorded a provision of \$350,000, \$350,000 and \$175,000, respectively.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, required the suspension of the use of the New Jersey net operating loss carryforwards for two years and introduced an alternative minimum assessment ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. The Tax Act was retroactive to January 1, 2002. In accordance with the Tax Act, the Company recorded a provision for current income tax of \$665,000, \$619,000 and \$597,000, net of Federal benefit, for the years ended December 31,

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### 13. Income Taxes (continued)

2005, 2004 and 2003, respectively. Due to the unlimited expiration period of future tax credits associated with taxes paid under the NJAMA, the Company has a deferred tax asset recorded (in other long-term assets) of \$1.8 million as of December 31, 2005.

At December 31, 2005, the Company has a net operating loss carryforward for Federal purposes of \$18.3 million, which will begin expiring in the year 2024 and forward. A valuation allowance has been provided against the Company's net Federal deferred tax asset including the net operating loss carryforwards.

At December 31, 2005, the Company has a state net operating loss carryforward of approximately \$112.1 million. The carryforward will expire as follows: 2006, \$2.4 million; 2007, \$40.2 million; 2008, \$20.7 million and 2009, \$48.8 million. The Company has reported a full valuation allowance against the carryforward because it does not expect to realize the tax benefit, primarily due to the limited expiration period.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has determined that the realization of certain of the Company's deferred tax assets is not more likely than not and, as such, has provided a valuation allowance against those deferred tax assets at December 31, 2005 and 2004.

On June 16, 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five year terms. The Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed, and; a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$6.3 million at December 31, 2004.

In June 2002, RIH entered into a Restated Loan and Security Agreement with CIT Group/Equipment Financing, Inc ("CIT Facility"). The CIT Facility permits RIH to borrow up to \$20 million for the purchase of machinery, furniture, or equipment. Loans pursuant to the CIT Facility are repayable in up to a sixty-month amortization period from the date the loan is made. Outstanding loans bear interest at the rate of LIBOR plus three and one-half percent. RIH is required to pay an annual fee equal to one-half percent of the unused portion of the CIT Facility. The outstanding balance due to CIT at December 31, 2004 was \$15.5 million.

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A ("Commerce Facility"). The Commerce Facility provides for working capital borrowings and letters of credit up to \$10 million. The Commerce Facility expires on June 30, 2005. There was no outstanding balance on the Commerce Facility at December 31, 2004; however, there have been \$4.4 million in standby letters of credit issued related to insurance obligations of the Company, leaving an availability of \$5.6 million as of December 31, 2004.

In the second quarter of 2004, RIH completed a like-kind exchange of its warehouse for a new warehouse facility. The transaction included the receipt of approximately \$1.2 million from the sale of the old warehouse, the proceeds of which were combined with a \$600,000 note (the "Warehouse Note") to purchase the new facility. The Warehouse Note has an interest rate of 6%, with fixed payments of principal and interest due in December 2004, February 2005 and February 2006. At December 31, 2004, the outstanding balance of the note was \$550,000.

### 14. Commitments and Contingencies

#### Litigation

The Company is a defendant in certain litigation. In the opinion of management, based upon advice of counsel, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the financial position, results of operations, or liquidity of RIHC.

#### License Renewal

On January 21, 2004, the New Jersey Casino Control Commission (the "NJCCC") renewed RIH's license to operate its casino hotel complex in Atlantic City for the four-year period ending January 31, 2008. The license period for a casino license renewed after April 30, 2004, shall be up to five years, but the NJCCC may reopen licensing hearings at any time. The NJCCC shall act upon any such application prior to the date of expiration of the current license. A casino license is not transferable.